

TEACHERS' RETIREMENT BOARD  
REGULAR MEETING

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SUBJECT: Cash Balance Benefit Program Update

ITEM NUMBER: 9

ATTACHMENT(S):     

ACTION:   X  

DATE OF MEETING: February 4, 1999

INFORMATION:     

PRESENTER: Ms. DuCray-Morrill

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**UPDATE ON ADMINISTRATION**

The California State Teachers' Retirement System (CalSTRS) administers two retirement programs. The Defined Benefit (DB) Program is designed to provide retirement and other benefits for persons employed on a full-time basis in California public schools. Chapter 592, Statutes of 1995 (AB1298, Ducheny) created the CalSTRS Cash Balance (CB) Plan to provide school employers with an alternative retirement plan to Social Security. The CB Plan provides retirement benefits for persons whose basis of employment in the public schools is less than 50 percent of the full-time equivalent. The CB Plan is a blend of defined benefit and defined contribution plans, creating a hybrid plan with the best qualities of both plans. Although the plan has characteristics of a defined contribution plan, it is considered a defined benefit plan. CalSTRS maintained separate trust funds for the assets of the DB Plan and the CB Plan. Administrative expenses for each plan were separately budgeted to and paid from each plan's fund.

Chapter 1048, Statutes of 1998, (SB-2085) merged the CB Fund with the Teachers' Retirement Fund as of January 1, 1999. The resulting single trust finances two distinct benefit structures - the Cash Balance Benefit Program (CBBP) for eligible part-time employees, and the DB Program for all employees who perform creditable service. The two benefit structures together comprise a single plan that is known as the "State Teachers' Retirement Plan." The DB Program continues to be in Part 13 of the Education Code and the CB Program is in Part 14. Together they comprise the Teachers' Retirement Law (TRL).

As of January 15, 1999, 15 employers in 10 counties are actively reporting contributions for 4,992 participants. The Program has received over \$2.9 million in contributions. Two new districts, Antelope Valley Community College and Montgomery Elementary, have signed resolutions that have effective dates of January 25, 1999 and February 1, 1999, respectively. In addition, both the Foothill – De Anza and Santa Barbara Community College Districts have made the decision to offer the CBBP, and have notified CalSTRS that they will be seeking board approval within the next month or two. Combined, these two community college districts estimate 1,250 part-time employees being eligible to elect to participate in the CBBP.

On November 5, 1998, the Teachers' Retirement Board voted to grant an additional earnings credit to CBBP participants based on June 30, 1998 account balances. All benefits being paid after January 1, 1999 on accounts that had a June 30, 1998 balance will contain this additional earnings credit.

### **BENEFIT REQUESTS**

As of January 15, 1999, the CBBP has received requests for 21 termination benefit applications, nine retirement benefit applications, and two death benefit applications. The Program has made two retirement benefit payments in the form of lump sum distributions. Both retired participants had account balances with less than \$3,500 in contributions and earned interest, and therefore were not eligible for an annuity option. CBBP has also received two additional completed retirement applications, eight completed applications for termination benefits, and one completed death benefit application. Participants requesting termination benefits are required to wait one year after termination of all creditable services before a distribution of the balance of the employer and employee accounts can be made. There are no waiting periods for retirement or death benefits.